



# House of Representatives

General Assembly

**File No. 815**

*January Session, 2001*

Substitute House Bill No. 6978

*House of Representatives, May 24, 2001*

The Committee on Transportation reported through REP. COCCO of the 127th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING ANNUAL ADJUSTMENTS TO PREVAILING WAGES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       (NEW) On or after October 1, 2001, each contractor that has been  
2       awarded a contract for (1) the construction of a state highway or bridge  
3       that falls under the provisions of section 31-54 of the general statutes,  
4       or (2) the construction, remodeling, refinishing, refurbishing,  
5       rehabilitation, alteration or repair of any public works project that falls  
6       under the provisions of section 31-53 of the general statutes shall  
7       contact the Labor Commissioner on or before July first, for the  
8       duration of such contract, to ascertain the prevailing rate of wages on  
9       an hourly basis and the amount of payment or contributions paid or  
10      payable on behalf of each mechanic, laborer or worker employed upon  
11      the work contracted to be done, and shall make any necessary  
12      adjustments to such prevailing rate of wages and such payment or  
13      contributions paid or payable on behalf of each such employee,  
14      effective each July first.

**TRA**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Potential Minimal Cost (Bond Funds/Debt Service)

**Affected Agencies:** Departments of Public Works, Transportation and Labor, Various State Agencies

**Municipal Impact:** Potential Minimal Cost (Bond Funds/Debt Service)

**Explanation****State and Municipal Impact:**

This bill results in potential minimal cost on building construction projects to the state and municipalities in bond funds and debt service costs. The bill requires that prevailing wages paid to workers on state highway and state and municipal public works projects be adjusted effective each July first to reflect the revised salary rates as produced by the Department of Labor. The bill has no workload or fiscal impact on the Department of Labor.

It would impact construction projects that begin before July 1<sup>st</sup>, and then continue after that date. This could add to the cost of these construction projects if the contractors do not already increase the salaries of their workers upon changes in the prevailing wage rates. The potential cost increase, which might be reflected in higher bids in future years, is anticipated to be minimal.

A 1996 study by the Legislative Program Review and Investigations Committee on prevailing wages concluded that the on-site labor costs for construction projects represent 25% of the total cost of the projects. The average prevailing wage rates increased by 3.6% per year over the last two years. This rate of salary increase is similar to the increase in the average salary of all workers in the state.

Based on the assumptions (1) that 25% of the cost of projects are for labor, and (2) that the increase in wages on July 1<sup>st</sup> is 3.6%, and (3) that half of the construction project is completed by that time, and (4) that contractors do not currently adjust the salaries of their workers when prevailing wage rates change, then the salary adjustments would add about 0.45% to the total cost of the project. Given these assumptions, this would increase costs for state and municipal construction projects by \$45,000 per \$1,000,000 of construction cost.

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**OLR Bill Analysis**

sHB 6978

***AN ACT CONCERNING ANNUAL ADJUSTMENTS TO PREVAILING WAGES.***

**SUMMARY:**

This bill requires contractors on state prevailing-wage projects to adjust the wages and contributions paid to mechanics, laborers, or workers on those projects each July 1 during the contract to reflect changes in the prevailing-wage. It also requires contractors to contact the labor commissioner on or before each July 1 during such projects to find out the current prevailing-wage and contribution rates.

EFFECTIVE DATE: October 1, 2001

**BACKGROUND**

***Prevailing Wage Law***

The state prevailing-wage law requires contractors on state highway projects and state and local construction jobs over a certain size to pay their laborers and mechanics working on the jobs at least the same wages as is customarily paid for similar work in the town or city where the project is carried on. Contractors must also make the customary contribution to any employee welfare fund that covers employees, or if there is none, pay the contributions directly to the employees.

***Legislative History***

The House referred this bill (File 702) to the Transportation Committee on May 16, which, on May 17, eliminated the requirement that the state and towns adjust prevailing wage contracts to reflect the wage changes made by contractors.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Substitute Change of Reference

Yea 11      Nay 3

Government Administration and Elections Committee

Joint Favorable Change of Reference

Yea 17      Nay 3

Appropriations Committee

Joint Favorable Substitute

Yea 45      Nay 5

Transportation Committee

Joint Favorable Substitute

Yea 18      Nay 2